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FM AMEMBASSY COLOMBO
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INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHKA/AMEMBASSY DHAKA PRIORITY 1972
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 9008
RUEHKT/AMEMBASSY KATHMANDU PRIORITY 7246
RUEHLO/AMEMBASSY LONDON PRIORITY 5172
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 3393
RUEHNY/AMEMBASSY OSLO PRIORITY 5127
RUEHOT/AMEMBASSY OTTAWA PRIORITY 0001
RUEHSM/AMEMBASSY STOCKHOLM PRIORITY 0662
RUEHKO/AMEMBASSY TOKYO PRIORITY 4238
RUEHCG/AMCONSUL CHENNAI PRIORITY 9571
RUEHBI/AMCONSUL MUMBAI PRIORITY 6866
RUEHON/AMCONSUL TORONTO PRIORITY 1333
RHEFDIA/DIA WASHINGTON DC PRIORITY
RUEHGV/USMISSION GENEVA PRIORITY 3785
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000977

SIPDIS

DEPARTMENT FOR SCA/INSB

E.O. 12958: DECL: 10/08/2019

TAGS: [PGOV](#) [PREL](#) [PREF](#) [PHUM](#) [PTER](#) [EAID](#) [MOPS](#) [CE](#)

SUBJECT: OFFICIALS DEFEND INCREASE IN DEFENSE BUDGET
SPENDING

REF: A. SECSTATE 107719

[1](#)B. COLOMBO 943

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Classified By: AMBASSADOR PATRICIA A. BUTENIS. REASONS: 1.4 (B, D)

[1](#)1. (C) SUMMARY: Ambassador and PolOff separately delivered ref A demarche points on increases in the Sri Lankan defense budget to senior officials at the Ministry of Foreign Affairs (MFA), the Ministry of Finance, and the Army General Staff. The consistent response was that the increase was due primarily to the government's need to pay down debts the military had incurred during the last several intense months of the conflict with the LTTE. While this may explain much of the defense budget increase, post believes some also is due to planned increases in the troop levels and base construction tied to the GSL's regaining of sovereignty in the previously LTTE-occupied north. END SUMMARY.

[1](#)2. (C) In an October 20 meeting with Ambassador, MFA Secretary Romesh Jayasinghe responded to the demarche explaining that many ministries exceeded allocated budgets and requested supplementary increases to compensate for the deficit. He noted that the MFA had exceeded its budget, requiring a supplemental allocation, and now MOD was doing the same to cover war-time deficit expenditures. PolOff received a similar response from MFA Director General of the Americas Department Kshenuka Seniwaratne, who argued the defense budget was not forward spending but rather meant to cover shortfalls. She noted the intensity of military actions during the final five months of the conflict had led MOD to overextend.

[1](#)3. (C) Ministry of Finance Secretary PB Jayasundera also told Ambassador that the defense increase was for previously incurred expenses from the end of the war and that any claim that the GSL was increasing defense spending was unfounded. Jayasundera claimed defense spending was 3.8 percent of GDP

in 2009 but would fall to 3.5 percent in 2010 and remained under the projected budget ceiling. (NOTE: According to embassy calculations, defense spending with the supplemental would be approximately 4.3 percent of GDP in 2009. END NOTE.) He pointed out that the military was engaged in many non-military functions in the north, such as police work and reconstruction, which he expected would be soon taken over by civilian authorities. Jayasundera also noted that 70 percent of military expenses were for salaries. The military had also canceled some of its arms procurement orders once the war ended.

14. (C) Arguing as well that much of the defense-budget increase was meant for obligations from past purchase contracts, CHOD Fonseka told Ambassador the government had MOD a one-year grace period, but now payments had to be made and would continue in some cases until 2020. Fonseka emphasized that the government also had to pay survivors' compensation to families who had lost soldiers in the fighting and compensation to veterans who had been severely wounded and medically boarded out of the military. The military also had to pay substantial recurring costs for rations and fuel.

15. (C) COMMENT: It appears that much of the Sri Lankan defense budget increase may be due to repayment of expenditures incurred during the final months of the conflict with the LTTE. Nevertheless, the military is on record with proposals for a net increase of approximately 25,000 troops. We believe that this troop increase -- as well as the construction of new bases in the north in previously occupied LTTE territory -- probably account for some portion of the defense-budget increase. What we do not know for certain is

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what portion of the increase is due to debt payment and what is due to new troops and bases. Therefore, while we remain concerned about the increased defense spending, our concerns have been reduced because it appears that the lion's share of the 2009 defense supplemental pertains to repayment of expenses incurred at the end of the war, not new military plans.
BUTENIS